

## **MARKETS OF OPPORTUNITY - HUNGARY**

### **Travel and Tourism Services**

Tourism is a successful economic sector in Hungary with major potential for development. This is well illustrated by the fact that foreign exchange revenues in Hungary's tourism sector multiplied threefold between 1989 and 1999. Furthermore, experts estimate that nine percent of Hungary's GDP currently derives from tourism.

Based on the number of annual visitors it receives, Hungary is one of the most popular tourist destinations in the world. In recent years, roughly 18 million registered tourists (including more than 323,000 Americans) spent at least one night in the country. This ranks the country eleventh among the favorite destinations in the world.

However, Hungary only ranks 38<sup>th</sup> in respect to tourism related revenues. One study indicates that while in neighboring Austria (which receives approximately the same number of visitors) a tourist spends USD 750, whereas in Hungary this figure is only USD 150. This figure cannot be fully related to the comparative costs of living in the two countries. Rather, the underdeveloped infrastructure and the inefficient use of national features and tourist attractions are significantly responsible for Hungary's low earning power in international comparison.

The Hungarian government has recognized the importance of providing incentives for the development of tourism and has guaranteed a priority role for the implementation of a modernization program in its most recent National Economic Plan. Objectives of the tourism development program include increasing the effectiveness of foreign tourism, strengthening domestic tourism, and improving the level of services. Establishment of conference centers and use of mineral water and hot springs for tourism purposes are of special priority. Opportunities for construction and development of these facilities will be offered through tender invitations announced by the government.

There is much to be done regarding the development of infrastructure and raising the level of standard services. As an emerging market, Hungary is open for new, modern products/services at competitive prices. Some areas of opportunity are:

- A boom in hotel renovation and building is expected, followed by the building of convention centers around the country. This is expected to occur primarily in those cities where tourism background and attractions already exist (e.g. Eger, Pecs, Sopron, Debrecen, and Szekesfehervar).
- Foreign capital has already moved into the tourism sector in the form of privatization and hotel construction. Some examples are the Kempinski Hotel Corvinus, Marriott Hotel Budapest, Inter-Continental; and the soon to open Crown Plaza, Le Meridien, Four Seasons, and Hilton.
- Building of a new city center will begin soon in southern Pest that will include hotels, a large (5,000 persons) convention center, a National Theater, and office/retail space.

- Travel services will continue to grow. Some American travel companies currently operating in Hungary are: American Express, Delta Airlines, Continental Airlines, Tradesco Tours, American International Group, Alamo Rent-a-Car, and Worldspan.
- A “Castle Program” was announced a few years ago to renew and utilize historical buildings in Hungary. One excellent example of the opportunity presented by this program is castle hotel in the village of Paradasvar – the first five star hotel in Hungarian countryside.
- There is an increasing demand for golf parks and holiday villages, especially around Lake Balaton and other spa tourism destinations.

Hungary as a whole is very rich in culture, historical places, buildings and monuments. Although the Hungarian Department of Tourism welcomes foreign visitors to Budapest, it is interested in encouraging them to venture outside of the city to areas such as the Danube Bend, the Great Plain, and historical cities like Szekesfehervar, Veszprem, and Pecs. Therefore, opportunities will likely be found in the improvement of the full range of tourism services and in making them available nationwide.

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